

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 PA-01 PRS-01 USIA-06 L-03

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FM USMISSION EC BRUSSELS

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC

SUBJECT: SKIMMED MILK DEPOSIT SYSTEM

REF: (A) STATE 56234, (B) FASTO 80, (C) STATE 57607

1. BEGIN SUMMARY: THE COMMISSION HAS NOW INFORMED US FORMALLY OF THE COUNCIL'S DECISION ON THE SKIMMED MILK DEPOSIT SYSTEM. WE TOLD THEM, AS WE HAD SAID BEFORE, THAT THE US WOULD PURSUE THE MATTER VIGOROUSLY IN THE GATT. END SUMMARY.

2. FIELDING, EC COMMISSION DIRECTOR FOR NORTH AMERICAN AFFAIRS, ACCOMPANIED BY OTHER COMMISSION OFFICIALS IN THE DIRECTORATES GENERAL OF AGRICULTURE AND EXTERNAL AFFAIRS, CALLED US IN ON MARCH 9 TO DISCUSS THE COMMUNITY'S SKIMMED MILK POWDER DEPOSIT SCHEME. APOLOGIZING FOR NOT HAVING GOTTEN TO US EARLIER, HE SAID THAT THE COMMISSION AND MEMBER STATES HAD RECEIVED VARIOUS MESSAGES FROM US SINCE CAMP DAVID INDICATING US OPPOSITION TO THE SCHEME. IN THE SAME SPIRIT OF KEEPING EACH OTHER INFORMED, SOAMES HAD ASKED HIM TO TELL US ABOUT THE COUNCIL DECISION.

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3. FIELDING SAID THAT HE WISHED TO STRESS THAT: (A) THE MEASURE WAS TEMPORARY AND DESIGNED TO REDUCE THE EXISTING SURPLUS; (B) IT INVOLVED 400,000 TONS OF SKIMMED MILK POWDER NOT 600,000 AS HAD BEEN FIRST PROPOSED; (C) IT REPRESENTED A RESPONSIBLE EFFORT TO MANAGE THE PROBLEM OF DAIRY SURPLUSES, I.E., IT WAS BETTER THAN DUMPING ABROAD; (D) THE COMMISSION IS NOW ASKING FOR UNDERSTANDING FROM THE UNITED STATES AS THE COMMISSION HAD BEEN UNDERSTANDING ABOUT US REQUESTS TO RESTRAIN DEMAND DURING THE 1973-4 PERIOD OF SOY AND FEEDGRAIN SCARCITY.

4. FIELDING SAID THAT THE COMMISSION HAD NOT DECIDED ON THE DETAILS OF THE SCHEME EXCEPT THAT IT WOULD INVOLVE A SERIES OF MONETARY DEPOSITS AND CERTIFICATES. THE CERTIFICATES WOULD BE REQUIRED FOR ALL IMPORTS OF PROTEIN MATERIAL AND THEY WOULD BE ISSUED ONLY UPON PAYMENT OF A DEPOSIT. THE DEPOSIT WOULD ALSO APPLY TO DOMESTICALLY-PRODUCED PROTEINS. THE QUANTITY OF THAT DEPOSIT HAD NOT YET BEEN FIXED. HOWEVER, THE AMOUNT WOULD VARY ACCORDING TO PRODUCT AND THEREFORE BY PROTEIN CONTENT. THE DEPOSIT COULD BE REDEEMED WHEN PROOF WAS GIVEN OF PURCHASES OF SPECIFIED QUANTITIES OF NON-FAT DRIED MILK. AT THE SAME TIME, THE COMMUNITY WOULD PUT INTO EFFECT A SYSTEM OF PREMIUMS TO ENCOURAGE THE PRIVATE STOCK-PILING OF "CERTAIN PROTEIN PRODUCTS" WHICH WOULD GRADUALLY BE ACCUMULATED TO A 250,000-TONE LIMIT. THE AMOUNT OF THE PREMIUM HAD NOT YET BEEN WORKED OUT. IT ALSO HAD NOT YET BEEN DECIDED HOW MUCH TIME IT WOULD TAKE TO ACCUMULATE THE FULL STOCKS BUT THEIR BUILD-UP WOULD BE GRADUAL AND WOULD LAST OVER PERHAPS SEVEN MONTHS. THEREAFTER, DE-STOCKING WOULD TAKE PLACE ALSO GRADUALLY OVER A PERIOD OF SAY NINE TO TWELVE MONTHS. THESE WERE AMONG THE DETAILS WHICH WERE STILL TO BE SETTLED. THE INTENT IS THAT THE STOCKPILE WOULD CONSIST OF SOYBEANS. THIS INTENT IS PARTLY MANIFEST IN THE COUNCIL REGULATION WHICH SAYS THAT ONLY SOYBEANS WOULD BE ELIGIBLE FOR STOCKING IN ITALY. FOR OTHER MEMBER STATES, THOUGH THIS WOULD NOT BE STATED, IT WAS HOPED THAT THIS WOULD BE THE EFFECT. THE REASON FOR STATING IT IN THE CASE OF ITALY WAS THAT THERE WAS PLENTY OF POTENTIAL IN ITALY TO PUT OTHER PROTEINS IN THE STOCKPILES, WHEREAS THIS WAS NOT ECONOMIC OR PRACTICAL IN OTHER MEMBERS OF THE COMMUNITY. FIELDING CALIMED THAT IT REALLY DID NOT MAKE MUCH DIFFERENCE WHETHER EC OR IMPORTED PROTEIN WENT INTO THE LIMITED OFFICIAL USE

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STOCKPILE, SINCE ANYTHING STOCKPILED WOULD TAKE OFF THE MARKET AN EQUIVALENT AMOUNT, WHICH COULD ONLY COME FROM ABROAD.

5. FIELDING AND HIS ASSOCIATES WERE APPARENTLY SURPRISED BY AND UNABLE TO ANSWER OUR QUESTIONS ON WHETHER SOYBEAN INTENDED FOR USE AS OTHER THAN FEEDSTUFFS (E.G., THOSE INTENDED TO BE USED IN THE MANUFACTURE OF TEXTURED VEGETABLE PROTEIN, DOG FOOD, CAT FOOD AND SAUSAGES) WOULD ALSO BE SUBJECT TO THE DEPOSIT/

CERTIFICATE SCHEME. WE EXPLAINED THAT THESE LATTER OFFERED NO OPPORTUNITY FOR THE INCORPORATION OF MILK POWDER AND THUS THE REDEMPTION OF THE DEPOSIT. FIELDING SAID HE ASSUMED THAT THIS WAS ONLY A SMALL SEGMENT OF OUR TRADE BUT THAT HE KNEW OF NO PROVISION FOR OMITTING IT. IN ANY CASE, PROOFS OF PURCHASE WOULD BE NEGOTIABLE JUST LIKE COMMERCIAL PAPER AND IMPORTERS SHOULD BE ABLE THEREBY TO RECOUP THEIR DEPOSITS.

6. WE TOLD FIELDING THAT AS HE WELL KNEW WE HAD EXPRESSED THE US VIEWS ON THIS REGULATION MANY TIMES BEFORE. WE READ TO HIM THE RESPONSE WHICH THE DEPARTMENT WOULD MAKE TO PRESS INQUIRES (REF A). WE TOLD HIM THAT THOUGH HE ASSURED US THIS WAS A TEMPORARY MEASURE, WE COULD SEE NO ASPECT OF THE COUNCIL'S DECISION ON DAIRY PRODUCTS WHICH LED US TO BELIEVE THAT THE SURPLUS MILK POWDER STOCK WOULD IN FACT BE DIMINISHED. (HE CONFIRMED CONTENTION THAT INDEED IN THE LAST FEW MONTHS THE SURPLUS HAS RISEN TO 1.4 MILLION TONS). THE ONLY TRULY RESPONSIBLE WAY TO MANAGE THE PROBLEM WAS TO ALTER THE DAIRY POLICY SO THAT SURPLUSES WOULD NOT BE ACCUMULATED. WE INFORMED FIELDING OF THE RECENT US ACTION INCREASING THE SUPPORT PRICE OF MILK IN THE UNITED STATES AND POINTED OUT THAT THIS HAD BEEN DONE WITHOUT INCREASING THE SUPPORT PRICE OF SKIMMED MILK POWDER (REF B). WE DID NOT BELIEVE THAT THERE WAS ANY PARALLEL BETWEEN THE CURRENT COMMUNITY ACTIONS AND US/EC COLLABORATION DURING THE PERIOD OF SOY AND GRAIN SCARCITY, SINCE OUR SOYBEAN EMBARGO HAD LASTED ONLY A FEW DAYS AND HAD NOT IN FACT PERMANENTLY DIMINISHED SALES TO THE COMMUNITY, WHEREAS THE CURRENT SCHEME, DESPITE THE STOCKPILING, WOULD INEVITABLY RESULT IN PERMANENTLY LOST SALES WHEN THE STOCKPILE WAS RUN DOWN. IT WAS DUBIOUS WHETHER THE STOCKPILE SCHEME OF 250,000 TONS WOULD CORRESPOND TO THE SOY SALES DISPLACED BY FORCED MIXING OF 400,000 TONS OF SKIMMED MILK POWDER. IN ANY CASE, OUR OBJECTION WAS THE FUNDAMENTAL ONE THAT THE LIMITED OFFICIAL USE

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COMMUNITY WAS PUTTING AN IMPEDIMENT ON SALES OF IMPORTED PROTEINS, WHICH REPRESENTED A VERY HIGH PORTION OF THE TOTAL CONSUMPTION OF PROTEINS. EVEN THOUGH THE SCHEME NOMINALLY WOULD ALSO BE APPLICABLE TO SOME COMMUNITY PROTEINS, IT WOULD NOT BE APPLICABLE TO SKIMMED MILK POWDER WHICH IS A PRODUCT HAVING THE SAME USE AS IMPORTED PROTEINS. CONSEQUENTLY, THOUGH WE DID NOT WISH TO OUTLINE ALL THE US ARGUMENTS, THE UNITED STATES WOULD PROMPTLY BEING AN ACTION UNDER THE GATT. FIELDING RESPONDED THAT THE COMMISSION FELT THAT THE SCHEME WAS COMPATIBLE WITH THE GATT. THEY UNDERSTOOD THAT THE UNITED STATES WOULD GO TO THE GATT PROMPTLY BUT HOPED THAT THE UNITED STATES WOULD RECOGNIZE THAT THE SCHEME WOULD NOT DAMAGE REASONABLE EXPECTATIONS OF US SHIPMENTS.

7. THIS CABLE WAS PREPARED PRIOR TO RECEIPT OF REF C. HINTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
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Copy: SINGLE
Draft Date: 10 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
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Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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